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WEEKLY INSIGHT
11-S boosts security industry
After September 11th, nothing will be the same, neither the Internet nor technology. Panic caused by the attacks, which has driven governments and companies to develop strict security measures, and the fact that we are in a new age of technological terrorism,–using the Internet, flight simulator software and sophisticated forms of communication, have deeply affected the use and the business of this sector.
As one could expect, security has been the most impacted segment. Security hardware and software companies, backup and disaster recovery services have forecast growths that, in some cases, amount to 30 or 40%. However, as the security threat draws back, reality shows that companies are more worried about dodging economic difficulties than about investing in technology.
From Computer World [Full Story]

 Highlights
- October 26, President George W. Bush signs the Patriot Act, a multifront anti-terrorist legislation that reenforces American Government powers of surveillance on companies and citizens. This new law directly affects the IT industry. For instance, a portion of the act aims to counter money-laundering tactics associated with terrorist financing, and to prevent foreign hacker attacks. It's been a boon for vendors of software that detects and prevents money laundering; they should take in $120 million by the end of this year, according to Tower Group market researcher.
- The President's Budget for 2003, the Federal government's first post-September 11 budget, also reflects his commitment to security. The FY 2003 Budget directs $37.7 billion to homeland security, up from $19.5 billion in 2002. On the other hand the Budget for 2003 requests a total of $50 billion for information technology investment across the entire Federal government. This includes creating a Cyberspace Warning Intelligence Network (CWIN), a new Advanced Encryption Standard and a Priority Wireless Access.
- For years, telecommunications service providers have been protecting their networks against natural disasters. According to In-Stat/MDR, given the high priority that large and mid-sized companies and government agencies are now putting on network protection after the terrorist attacks, more attention will be paid in the future to developing network protection.

- However, this year’s real investment in these technologies has been very low. All surveys show that today’s IT departments priority is “to cut costs”. According to PwC Global Information Security Survey, September 11 terrorist attacks have raised the perceived importance of security in most companies, but only one quarter of them have increased their investment in those issues.

Press Review

From Business Week

“Shortly after the World Trade Center came crashing down, a contingent of tech industry heavyweights, including Hewlett-Packard’s Carly Fiorina, AOL Time Warner’s Steve Case, and AT&T’s C. Michael Armstrong, flew to Washington to meet with Administration officials. And during the following 12 months, 100 or so tech leaders held a flurry of follow-up meetings with the White House and the Defense Dept. The subject at hand: how best to marshal the strongest ideas from Silicon Valley in the new war against terrorism. (...) But in a year in which business spending on tech ground to a halt, tech heads salivated over the prospects of an unexpected and promising new multibillion-dollar market. It didn’t quite work out as well as hoped. Security experts argue that America is little safer today, as Washington and the tech industry struggle to see eye to eye. Tech leaders have been critical of what to them appears a state of chaos in the capital, as the President and congressional Democrats bicker over the details of a new Homeland Security Dept. And so far, only limited amounts of money have been spent. ‘There has been too much debate and very little action,’ complains Joseph M. Kampf, CEO of Anteon International, a $700 million Fairfax (Va.) tech contractor.” [Full Story]

From New York Times

“In a survey conducted for AT&T, 73 percent of those questioned said their companies had reviewed their disaster recovery planning after Sept. 11, but only one in 10 said business disaster planning had become a top priority after the attacks.

That is not particularly surprising in tight economic times, when most information technology spending has focused on incremental improvements to current systems, said Art Coviello, the chief executive of RSA Data Security, a computer network security company in Bedford, Mass. At a conference of chief information officers early this year, Mr. Coviello recalled, executives listed the top three priorities in 2002 as ‘cut costs, cut costs and cut costs.’ ‘The next priority was to make more out of what they had,’ he said. ‘The next priority after that was security.’” [Full Story]

From Expansión

“In spite of the fact that videoconferencing was considered as a solution for company employees not having to fly, sector experts trusted that ticketsales would be reactivated soon thanks to the increase in the security measures at airports. The incomes of biometric companies, that sell scanners to identify people by their iris or their fingerprints, will experience an increase of almost 40% in 2002.

Security is the buzz concept in the business world. This fact didn’t go unnoticed in the markets, where companies of the sector had high increases.” [Full Story] (Premium content)

Commentary by...

Josep Valor, IESE professor

11-S: learn from vulnerability

The fateful events of 11-S have helped those responsible for company technology to better understand the importance of protecting tangible and intangible assets. Business information is a kind of value that, if “well exploited” by enemies, may leave companies out of the game.

Security measures must adapt to the vulnerabilities of the goods they are trying to protect. In the physical world, they are dealing with more stable measures because the vulnerabilities that they are trying to prevent are also vulnerable. On the other hand, the management of company information is a complex and changing activity demanding constant new infrastructures which may leave vulnerabilities uncovered.

The technology to break into the information systems of companies is evolving pretty fast as well, forcing them to make important changes in their security systems. Business security systems, above all in the Internet age, are constantly “under construction”, a provisional situation that increases the risk of having holes or back doors open to intruders.
More and more, companies are trying to overcome this complexity by resorting to specialised suppliers that provide, in addition to the expected “defence” services, security audits based on an attack on the systems of the client company. Although some people fear it, the strategy of allowing the attack is the only way companies have of knowing the difficulties a person may face if he wants to enter their systems. In that case, attack is the best defence against vulnerability.

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**EBCENTER ARTICLE**

**Games via the mobile, a business with a future**  
By Eduard Guiu, Research Assistant, EBCenter  
Entertainment content via cordless appliances like mobiles is on the way to becoming one of the most lucrative businesses of the next few years. [Full Story]

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**REPORTS**

**Less than 10% of Internet Advertisers Use Pop-up Ads**  
**Title:** Internet Advertisers Pop-up Ads Use  
**Source:** Nielsen/Netratings  
**Date:** September 2002  
**Abstract:** Nielsen//NetRatings reports that only 9.2 percent of all companies advertising online use pop-up ads, despite its seemingly ubiquitous presence in 2002. Advertisers purchased and launched more than 11.3 billion pop-up ad impressions (including pop-under ads) for the first seven months of 2002, comprising just 2% of the online advertising market. Niche categories such as community, yellow pages and games sites posted levels of pop-up advertising well above the market average of two percent, but broader categories such as portals, search engines and shopping sites shied away from utilizing the technology. Only a select few advertisers opted to use pop-up technology, with just 63 companies launching 80% of all pop-up advertising while the other 20% was split between 2,145 advertisers. [Full Story]

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**Internet, the young people favourite media**  
**Title:** Internet 9: The Media and Entertainment World of Online Consumers  
**Source:** Arbitron y Edison Media Research  
**Date:** 2002  
**Abstract:** When compared with other traditional media, one out of five Americans (20%) feel the Internet is most essential to their lives, while 39% indicates television, followed by radio (26%). However, among 12 to 24-year-olds, 34% see the Internet as the “coolest and most exciting” and the most essential to their lives, slightly ahead of TV at 30% and radio at 27%.  
This is the major finding of the Arbitron and Edison Media Research survey, that points out an increase of 10% in subscribers to broadband access between the beginning of 2001 and July 2002. According to the report, 83 million Americans have now experienced Internet audio or video and 16 million Americans say they would be willing to pay a small fee to listen to the online audio content provided by the webcast audio channel that they listen to most.  
On the other hand, consumer awareness of online audio commercials in Internet webcasts has increased from 30% in July of 2001 to 40% in July 2002. Moreover, consumers see streaming ads as far more acceptable than traditional Internet banner advertising and a fair trade-off for free online streaming content. [Full Story]

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**Governments threaten privacy on the Internet**  
**Title:** Privacy and Human Rights 2002. An International Survey of Privacy Laws and Developments  
**Source:** Electronic Privacy Information Center and Privacy International  
**Date:** 2002  
**Abstract:** The American Electronic Privacy Information Center and the British organisation Privacy International have elaborated a survey about privacy in over 50 countries around the world, where there are reductions of freedom and an
increase in surveillance in the electronic communications area. There are three major reasons for the movement towards comprehensive privacy and data protection laws, among them the promotion of electronic commerce, but the problem is that governments often simply apply old standards to new technologies without analysing how the technology has changed the nature and sensitivity of the information. For example, in the traditional telephone system, transactional data usually takes the form of telephone numbers or telephone identifiers, the call metrics (e.g. length of call, time and date), countries involved, and types of services used. Mobile communications location information can provide details of an individual's movements and activities and whom they have met with. This location information may be combined with other transactional information such as websites visited using the mobile device, individuals called, search engine requests; all used to create a considerable profile.

COMPANIES

Warner Bros offers its movies on the Internet
The web site CinemaNow will offer films from Warner Bros. until the end of the year. Films such as Harry Potter can be downloaded for a fee of $3.99 for 24-hour viewing. Older films from the Warner Bros. home video library can be downloaded for $2.99 for the same period. From The New York Times [Full Story] (A free subscription is required)

AOL Time Warner Cuts Online Outlook
The media conglomerate has reduced its outlook for its America Online division. America Online's full-year revenues for advertising and commerce are expected to be $1.7 billion. Previously the company had estimated that both figures would come in at the low end of a range of $1.8 billion to $2.2 billion. From Yahoo! News [Full Story]

WE RECOMMEND

Capital Quest
If you are trying to raise capital in the telecom and Internet environment, there is both good news and bad news. The good news is there are fewer companies out there competing with you for scarce investment dollars, but the bad news is valuations are down significantly, and you'll need a much better story to tell investors than you needed two years ago. There were just 19 tech IPOs last year, raising a total of more than $8.7 billion in capital. Compare those numbers with the previous two years: In 1999, 308 tech IPOs raised $28.4 billion. Upside Today magazine presents a "market windows of opportunity" to explore, with its pros and cons. From Upside Today [Full Story]

Return of B2B
Business-to-business (B2B) exchanges are making a comeback. This time around, however, suppliers may actually find a variety of ways to benefit from participating in them. What has changed the equation is the emergence of private exchanges: invitation-only networks that connect a single company to its customers, suppliers, or both providing secure, one-on-one communication. Like EDI networks, private exchanges reduce the time and cost of interaction, but they also improve on EDI by enabling partners to share documents, drawings, spreadsheets, and product designs in standard formats and in real time, thereby facilitating closer collaboration. Unlike open B2B marketplaces and industry consortia, private exchanges keep control in the hands of an active participant, an arrangement that helps focus activity on process rather than price. Before founding or joining one, a supplier must ponder two important questions: what will it cost, and is the effort worthwhile? In this document, McKinsey Quarterly helps you to answer them. From McKinsey Quarterly [Full Story]
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